

**Tennessee Board of Regents
Dyersburg State Community College**

**For the Years Ended
June 30, 1996, and June 30, 1995**

Arthur A. Hayes, Jr., CPA
Director

Charles K. Bridges, CPA
Assistant Director

Shirley A. Henry, CPA
Audit Manager

Patricia L. Wakefield, CPA
In-Charge Auditor

Chris Gish
Jeffrey Lafever
Kelly Rea, CPA
Tamara Yancy
Staff Auditors

Dianne Mitchell McKay, CPA
Technical Manager

Fawn W. Ellis, CPA
Technical Analyst

Leslie Bethea
Editor

November 10, 1997

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Charles E. Smith, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Karen A. Bowyer, President
Dyersburg State Community College
1510 Lake Road
Dyersburg, Tennessee 38024

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Dyersburg State Community College, for the years ended June 30, 1996, and June 30, 1995. You will note from the independent auditor's report that a qualified opinion was given on the fairness of the presentation of the financial statements. The college has elected not to record the liability for accrued compensated absences in its financial statements. In our opinion, accrued compensated absences should be recorded to conform with generally accepted accounting principles.

Consideration of the internal control structure and tests of compliance disclosed certain deficiencies, which are detailed in the Results of the Audit section of this report. The college's administration has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/th
97/082

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Dyersburg State Community College
For the Years Ended June 30, 1996, and June 30, 1995

AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control structure; to determine compliance with laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

INTERNAL CONTROL FINDING

Lack of Segregation of Duties Over Disbursements Permitted Personal Use of College Funds and Failure to Promptly Investigate Unusual Transactions Delayed Discovery

An account clerk issued a \$160 travel advance check for herself which she did not record on her subsequent travel claim. She also issued a college check for \$460 to the Dyersburg Credit Union as payment on a personal loan. In addition, the failure of her supervisor to promptly investigate unusual transactions delayed discovery of the improprieties. The employee appealed her termination, but the termination was upheld by the appeals committee. This matter has been referred to the District Attorney General, 29th Judicial District, Dyer County.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is qualified because of the omission of the liability for accrued compensated absences from the financial statements.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Tennessee Board of Regents
Dyersburg State Community College
For the Years Ended June 30, 1996, and June 30, 1995

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**Tennessee Board of Regents
Dyersburg State Community College
For the Years Ended June 30, 1996, and June 30, 1995**

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Dyersburg State Community College. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

Tennessee’s community college system was conceived in 1957 when the state legislature ordered a study of community college programs known as the Pierce-Albright Report. Acting on the recommendation of the Governor and the state’s Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee. On June 13, 1967, the State Board of Education announced Dyersburg as the site of the second community college in West Tennessee. On July 1, 1972, the General Assembly transferred the governance of the community college system to the Tennessee Board of Regents.

ORGANIZATION

The governance of Dyersburg State Community College is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

AUDIT SCOPE

The audit was limited to the period July 1, 1994, through June 30, 1996, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1996, and June 30, 1995. Dyersburg State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college's internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
 2. to determine compliance with laws, regulations, contracts, and grants;
 3. to determine the fairness of the presentation of the financial statements; and
 4. to recommend appropriate actions to correct any deficiencies.
-

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

As part of the audit of the college's financial statements for the years ended June 30, 1996, and June 30, 1995, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. The report on the internal control structure is on the following pages. The reportable condition, along with the recommendation and management's response, is detailed in the finding and recommendation, which follow the report on the internal control structure. Consideration of the internal control structure disclosed no material weaknesses.

Compliance with Laws and Regulations

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards. The compliance report follows the finding and recommendation.

Fairness of Financial Statement Presentation

The college has elected not to accrue the liability for compensated absences. Since this accounting practice is contrary to generally accepted accounting principles, the Division of State Audit has rendered a qualified opinion on the college's financial statements. The independent auditor's report follows the compliance report.

**Report on the Internal Control Structure Based on an
Audit of the Financial Statements Performed in Accordance With
*Government Auditing Standards***

July 24, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Dyersburg State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1996, and June 30, 1995, and have issued our report thereon dated July 24, 1997. Our report was qualified because the college excluded the liability for accrued compensated absences from the balance sheets.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The college's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection

of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the college's financial statements for the years ended June 30, 1996, and June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted one matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the college's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The following reportable condition was noted: lack of segregation of duties over disbursements permitted personal use of college funds and failure to promptly investigate unusual transactions delayed discovery. This condition is described in the Finding and Recommendation section of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the college's management in a separate letter.

The Honorable W. R. Snodgrass
July 24, 1997
Page Three

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/th

FINDING AND RECOMMENDATION

Lack of segregation of duties over disbursements permitted personal use of college funds and failure to promptly investigate unusual transactions delayed discovery

Finding

Lack of segregation of duties over disbursements permitted an employee in the Business Office to utilize college funds for her personal use. An account clerk issued a \$160 travel advance check for herself which she did not record on her subsequent travel claim. She also issued a college check for \$460 to the Dyersburg Credit Union as payment on a personal loan. In addition, the failure of her supervisor to promptly investigate unusual transactions delayed discovery of the improprieties.

The clerk completed a travel authorization on May 22, 1996, which was approved by the Vice President for Finance and Administrative Services and the President; however, the form did not provide a place to indicate that a travel advance would be requested. On May 24, 1996, she completed a check request form for the travel advance, which was also approved by the Vice President and the President, and she manually issued a check for the advance and had it signed. The travel claim was submitted on May 31, 1996, and at the time, this same employee (due to staff turnover) was responsible for reviewing all of the college's travel claims before their approval for payment. Consequently, her travel claim, from which the travel advance had not been deducted, was reviewed by her, approved by the Vice President, and paid.

The clerk entered the check for the advance into the accounting system as a travel expenditure on June 14, 1996, but recorded a different payee. She also prepared a journal entry on the same date to transfer the expenditure to another account in which payments to that payee were more likely to be recorded. As a result, there was no record of a travel advance being issued to the employee.

The issuance of the manual check, which had not been entered into the accounting system, was apparently not detected during the May bank reconciliation, although the check cleared on May 28, 1996. In addition, procedures to match the travel advance with the corresponding travel claim were either not in place or were effectively circumvented. During year-end review, the Business Manager noticed the expenditure in the other account, determined that the check had been issued as a travel advance to the employee, and adjusted the accounting records without investigating why it had been recorded in another account with a different payee.

The outstanding travel advance was revealed by the account clerk in a discussion with the Business Manager in January 1997 and repaid on January 31, 1997. No inquiry was made by the Business Manager as to the propriety of a travel advance's being outstanding for eight months.

The college discontinued the practice of issuing manual checks in April 1997. The travel authorization form was redesigned so that all requests for travel advances are now included on the

form. The travel authorization is compared to the travel claim by the receptionist, who is not involved in the preparation or issuance of checks. This comparison must be completed before the travel claim can be approved for payment.

On February 7, 1997, the same employee initiated, issued, and signed, using the check signing machine in the Business Office, a check from the college to the Dyersburg Credit Union for the January payment of \$460 on her credit union loans. She had previously requested that the January credit union payment not be withheld from her December payroll check and instead be paid directly to her; her payroll check was issued December 20, 1996. The account clerk later generated the February 7 check without the involvement of any other employee in the Business Office, and no comparison was made of the check to supporting documentation prior to its delivery to the credit union. The issuance of a second check to the credit union in February was not investigated during the Business Manager's monthly review of the accounting reports, although there would normally only be one check each month.

The issuance of the \$460 check was discovered by the Business Manager while balancing the payroll liability accounts at year-end. The employee repaid the college on July 8, 1997, and she was terminated for gross misconduct on July 11, 1997.

When the improper payment to the credit union was discovered, both the Tennessee Board of Regents and the Comptroller's Office were promptly notified. The college subsequently conducted a review of accounts payable transactions for the fiscal years ended June 30, 1996, and June 30, 1997, to determine if there were additional improprieties in accounts payable for which the account clerk was responsible. The \$160 travel advance was uncovered during this review; no further improprieties were revealed.

The employee appealed her termination, but the termination was upheld by the appeals committee. This matter has been referred to the District Attorney General, 29th Judicial District, Dyer County.

Recommendation

The Vice President for Finance and Administrative Services should ensure that responsibilities over disbursements are adequately segregated so that no single employee can initiate, issue, sign, and deliver a check. No checks should be disbursed without comparison to supporting documentation. Also, if unusual transactions are noted during reconciliation and review procedures, they should be promptly investigated

Management's Comment

We concur with the finding and recommendation. Procedures have been implemented to provide effective segregation of responsibilities related to the preparation, issuance, and delivery of operating checks. The secretary to the Vice President of Finance and Administrative Services

has been assigned responsibility for printing and signing checks, and the switchboard receptionist has been assigned responsibility for ensuring that checks are supported by proper documentation before disbursement. In addition, unusual transactions, if any, will be brought to the attention of the Vice President for prompt resolution.

**Compliance Report Based on an Audit of the
Financial Statements Performed in Accordance
With *Government Auditing Standards***

July 24, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Dyersburg State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1996, and June 30, 1995, and have issued our report thereon dated July 24, 1997. Our report was qualified because the college excluded the liability for accrued compensated absences from the balance sheets.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the college is the responsibility of the college's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

The Honorable W. R. Snodgrass
July 24, 1997
Page Two

We did, however, note one immaterial instance of noncompliance that we have reported to the college's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/th

Independent Auditor's Report

July 24, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of Dyersburg State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1996, and June 30, 1995, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the college has excluded the liability for accrued compensated absences from the accompanying balance sheets. In our opinion, accrued compensated absences should be included to conform with generally accepted accounting principles.

In our opinion, except for the effects of not including the liability for accrued compensated absences in the accompanying balance sheets, as discussed in the preceding paragraph, the

The Honorable W. R. Snodgrass
July 24, 1997
Page Two

financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Dyersburg State Community College, as of June 30, 1996, and June 30, 1995, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

In accordance with generally accepted government auditing standards, we have also issued reports dated July 24, 1997, on our consideration of the college's internal control structure and on its compliance with laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/th

TENNESSEE BOARD OF REGENTS
DYERSBURG STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1996, AND JUNE 30, 1995

	<u>June 30, 1996</u>	<u>June 30, 1995</u>		<u>June 30, 1996</u>	<u>June 30, 1995</u>
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash and cash equivalents (Notes 3 and 4)	\$ 805,809.11	\$ 550,931.20	Liabilities:		
Accounts receivable (net of allowance of \$5,594.56 at June 30, 1996, and \$3,919.07 at June 30, 1995)	58,857.52	21,998.29	Accounts payable	\$ 127,775.64	\$ 47,640.36
Prepaid expenses	81,360.16	74,681.40	Accrued liabilities	401,655.02	269,932.96
Due from restricted current funds	52,954.62	81,837.38	Deferred revenue	127,069.75	90,844.50
Due from agency funds	63,305.66	5,411.69	Total liabilities	656,500.41	408,417.82
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	109,184.69	77,576.60
			Allocation for encumbrances	26,721.65	42,356.22
			Allocation for designated state appropriations	7,018.05	3,339.96
			Discretionary allocations:		
			Allocation for subsequent budget	178,440.00	136,000.00
			Allocation for technology access fee	-	172.00
			Allocation for athletics	2,106.00	1,837.77
			Unallocated	82,316.27	65,159.59
			Total fund balances	405,786.66	326,442.14
Total general	1,062,287.07	734,859.96	Total general	1,062,287.07	734,859.96
Auxiliary enterprises:			Auxiliary enterprises:		
Cash and cash equivalents (Notes 3 and 4)	1,119.75	1,005.77	Fund balances:		
Accounts receivable	1,809.91	1,393.00	Nondiscretionary allocation:		
			Allocation for working capital	1,809.91	1,393.00
			Discretionary allocation:		
			Allocation for contingencies	1,119.75	1,005.77
Total auxiliary enterprises	2,929.66	2,398.77	Total auxiliary enterprises	2,929.66	2,398.77
Total unrestricted	1,065,216.73	737,258.73	Total unrestricted	1,065,216.73	737,258.73
Restricted:			Restricted:		
Investments (Note 5)	8,038.46	-	Liabilities:		
Accounts and grants receivable	419,470.25	482,376.11	Accounts payable	43,580.89	43,466.15
			Accrued liabilities	30,992.46	48,934.98
			Due to unrestricted current funds	52,954.62	81,837.38
			Total liabilities	127,527.97	174,238.51
			Fund balance	299,980.74	308,137.60
Total restricted	427,508.71	482,376.11	Total restricted	427,508.71	482,376.11
Total current funds	\$ 1,492,725.44	\$ 1,219,634.84	Total current funds	\$ 1,492,725.44	\$ 1,219,634.84
Loan funds:			Loan funds:		
Cash and cash equivalents (Notes 3 and 4)	\$ 6,254.32	\$ 5,157.54	Fund balances:		
Notes receivable (net of allowance of \$1,859.06 at June 30, 1996, and \$2,126.00 at June 30, 1995)	3,723.69	4,258.38	U.S. government grants refundable	\$ 6,073.75	\$ 5,556.38
Accrued interest receivable	1,048.06	1,035.28	Institutional funds:		
			Restricted - matching	674.88	617.38
			Unrestricted	4,277.44	4,277.44
Total loan funds	\$ 11,026.07	\$ 10,451.20	Total loan funds	\$ 11,026.07	\$ 10,451.20
Endowment and similar funds:			Endowment and similar funds:		
Cash and cash equivalents (Notes 3 and 4)	\$ 22,850.76	\$ 15,701.81	Fund balance:		
Investments (Note 5)	75,214.24	82,363.19	Endowment	\$ 98,065.00	\$ 98,065.00
Total endowment and similar funds	\$ 98,065.00	\$ 98,065.00	Total endowment and similar funds	\$ 98,065.00	\$ 98,065.00
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash and cash equivalents (Notes 3 and 4)	\$ 299,494.08	\$ 65,562.73	Liabilities:		
LGIP deposit - capital projects	120,000.00	-	Accounts payable	\$ -	\$ 116.70
Accounts receivable	-	109,048.05	Fund balance:		
			Unrestricted	419,494.08	174,494.08
Total unexpended plant	419,494.08	174,610.78	Total unexpended plant	419,494.08	174,610.78
Renewals and replacements:			Renewals and replacements:		
Cash and cash equivalents (Notes 3 and 4)	256,341.65	231,498.15	Liabilities:		
Accounts receivable	6,493.88	-	Accounts payable	5,600.00	-
			Fund balance:		
			Unrestricted (Note 6)	257,235.53	231,498.15
Total renewals and replacements	262,835.53	231,498.15	Total renewals and replacements	262,835.53	231,498.15

TENNESSEE BOARD OF REGENTS
DYERSBURG STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1996, AND JUNE 30, 1995

	<u>June 30, 1996</u>	<u>June 30, 1995</u>		<u>June 30, 1996</u>	<u>June 30, 1995</u>
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Investment in plant:			Investment in plant:		
Land	556,925.00	556,925.00	Fund balance:		
Buildings	8,465,117.93	5,875,790.18	Net investment in plant	<u>14,076,818.37</u>	<u>11,577,777.71</u>
Improvements other than buildings	473,324.48	473,324.48			
Equipment	2,987,363.77	2,691,339.44			
Library books	823,860.00	757,860.00			
Other library holdings	569,825.00	531,518.00			
Construction in progress	<u>200,402.19</u>	<u>691,020.61</u>			
Total investment in plant	<u>14,076,818.37</u>	<u>11,577,777.71</u>	Total investment in plant	<u>14,076,818.37</u>	<u>11,577,777.71</u>
Total plant funds	\$ <u>14,759,147.98</u>	\$ <u>11,983,886.64</u>	Total plant funds	\$ <u>14,759,147.98</u>	\$ <u>11,983,886.64</u>
Agency funds:			Agency funds:		
Foundation:			Foundation:		
Cash and cash equivalents (Notes 3 and 4)	\$ 37,150.76	\$ 48,165.96	Liabilities:		
Investments (Note 5)	831,578.10	548,988.00	Deposits held in custody for foundation	\$ <u>874,444.41</u>	\$ <u>598,166.05</u>
Accrued interest receivable	<u>5,715.55</u>	<u>1,012.09</u>			
Total foundation	<u>874,444.41</u>	<u>598,166.05</u>	Total foundation	<u>874,444.41</u>	<u>598,166.05</u>
Nonfoundation:			Nonfoundation:		
Cash and cash equivalents (Notes 3 and 4)	404,049.35	360,251.45	Liabilities:		
Accounts receivable	<u>902.90</u>	<u>-</u>	Accounts payable	324.81	704.03
			Checks payable	-	104,057.49
			Due to unrestricted current funds	63,305.66	5,411.69
			Deposits held in custody for others	<u>341,321.78</u>	<u>250,078.24</u>
Total nonfoundation	<u>404,952.25</u>	<u>360,251.45</u>	Total nonfoundation	<u>404,952.25</u>	<u>360,251.45</u>
Total agency funds	\$ <u>1,279,396.66</u>	\$ <u>958,417.50</u>	Total agency funds	\$ <u>1,279,396.66</u>	\$ <u>958,417.50</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
DYERSBURG STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1996

	Current Funds				Plant Funds		
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 7,007,369.31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	22,395.00	-	-	-	-	-	-
Tuition and fees	-	7,692.10	-	-	-	-	-
State appropriations	-	92,300.00	-	-	2,275,151.46	-	-
Federal grants and contracts	-	3,800,743.76	-	-	-	-	-
State grants and contracts	-	84,450.85	-	-	-	-	-
Local grants and contracts	-	-	-	-	120,000.00	-	-
Private gifts, grants, and contracts	-	364,535.44	-	-	-	-	68,764.00
Endowment income	-	5,065.67	-	-	-	-	-
Investment income	-	-	87.02	-	-	-	-
Interest on loans receivable	-	-	220.91	-	-	-	-
Reduction in doubtful accounts	-	-	266.94	-	-	-	-
Equipment use charges	-	-	-	-	-	76,000.00	-
Insurance settlement	-	-	-	-	-	6,493.88	-
Expended for plant facilities (including \$185,125.33 charged to current fund expenditures)	-	-	-	-	-	-	2,447,554.01
Library holdings revaluation	-	-	-	-	-	-	33,990.95
Other	-	-	-	-	-	-	15,150.00
Total revenues and other additions	7,029,764.31	4,354,787.82	574.87	-	2,395,151.46	82,493.88	2,565,458.96
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	6,824,888.90	4,241,886.71	-	-	-	-	-
Indirect costs recovered	-	104,669.17	-	-	-	-	-
Expended for plant facilities	-	-	-	-	2,208,860.68	53,568.00	-
Expended for noncapital items	-	-	-	-	66,290.78	3,188.50	-
Disposal of plant facilities	-	-	-	-	-	-	66,418.30
Other	-	16,388.80	-	-	-	-	-
Total expenditures and other deductions	6,824,888.90	4,362,944.68	-	-	2,275,151.46	56,756.50	66,418.30
TRANSFER BETWEEN FUNDS - ADDITION (DEDUCTION)							
Nonmandatory: Unexpended plant	(125,000.00)	-	-	-	125,000.00	-	-
Net increases (decrease) for the year	79,875.41	(8,156.86)	574.87	-	245,000.00	25,737.38	2,499,040.66
Fund balances at beginning of year	328,840.91	308,137.60	10,451.20	98,065.00	174,494.08	231,498.15	11,577,777.71
Fund balances at end of year	\$ 408,716.32	\$ 299,980.74	\$ 11,026.07	\$ 98,065.00	\$ 419,494.08	\$ 257,235.53	\$ 14,076,818.37

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
DYERSBURG STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1995

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS								
Unrestricted current fund revenues	\$ 6,791,680.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	20,111.49	-	-	-	-	-	-	-
State appropriations	-	91,200.00	-	-	423,246.71	-	-	-
Federal grants and contracts	-	4,212,671.48	-	-	-	-	-	-
State grants and contracts	-	139,600.96	-	-	-	-	-	-
Private gifts, grants, and contracts	-	329,594.24	-	10,000.00	-	-	-	179,120.00
Endowment income	-	3,812.81	-	-	-	-	-	-
Investment income	-	-	48.37	-	-	-	-	-
Interest on loans receivable	-	-	244.01	-	-	-	-	-
Reduction in doubtful accounts	-	-	331.15	-	-	-	-	-
Insurance settlement	-	-	-	-	112,504.05	-	-	-
Equipment use charges	-	-	-	-	-	88,000.00	-	-
Expended for plant facilities (including \$153,932.09 charged to current fund expenditures)	-	-	-	-	-	-	-	784,623.38
Retirement of indebtedness	-	-	-	-	-	-	-	35,000.00
Other	-	3,639.31	143.03	-	-	-	-	13,629.40
Total revenues and other additions	6,811,792.02	4,780,518.80	766.56	10,000.00	535,750.76	88,000.00	-	1,012,372.78
EXPENDITURES AND OTHER DEDUCTIONS								
Educational and general expenditures	6,691,152.77	4,579,699.96	-	-	-	-	-	-
Indirect costs recovered	-	103,499.76	-	-	-	-	-	-
Refunded to grantors	-	-	3,180.00	-	-	-	-	-
Expended for plant facilities	-	-	-	-	451,346.71	179,344.58	-	-
Expended for noncapital items	-	-	-	-	131,891.43	881.00	-	-
Retirement of indebtedness	-	-	-	-	-	-	35,000.00	-
Disposal of plant facilities	-	-	-	-	-	-	-	610,823.59
Other	-	3,857.34	-	-	-	-	-	-
Total expenditures and other deductions	6,691,152.77	4,687,057.06	3,180.00	-	583,238.14	180,225.58	35,000.00	610,823.59
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)								
Mandatory:								
Principal and interest	(35,000.00)	-	-	-	-	-	35,000.00	-
Nonmandatory:								
Unexpended plant	(25,000.00)	-	-	-	50,000.00	(25,000.00)	-	-
Renewals and replacements	(39,000.00)	-	-	-	-	39,000.00	-	-
Total transfers	(99,000.00)	-	-	-	50,000.00	14,000.00	35,000.00	-
Net increases (decreases) for the year	21,639.25	93,461.74	(2,413.44)	10,000.00	2,512.62	(78,225.58)	-	401,549.19
Fund balances at beginning of year	307,201.66	214,675.86	12,864.64	88,065.00	171,981.46	309,723.73	-	11,176,228.52
Fund balances at end of year	\$ 328,840.91	\$ 308,137.60	\$ 10,451.20	\$ 98,065.00	\$ 174,494.08	\$ 231,498.15	\$ -	\$ 11,577,777.71

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
DYERSBURG STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1996

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUES			
Tuition and fees	\$ 1,832,941.03	\$ 7,452.12	\$ 1,840,393.15
State appropriations	4,840,900.00	89,463.77	4,930,363.77
Federal grants and contracts	108,970.58	3,694,664.62	3,803,635.20
State grants and contracts	6,229.08	110,813.23	117,042.31
Private gifts, grants, and contracts	-	335,931.56	335,931.56
Investment income	77,145.13	-	77,145.13
Endowment income	-	3,561.41	3,561.41
Sales and services of educational activities	106,105.00	-	106,105.00
Sales and services of auxiliary enterprises	22,395.00	-	22,395.00
Other sources	<u>35,078.49</u>	<u>-</u>	<u>35,078.49</u>
Total current revenues	<u>7,029,764.31</u>	<u>4,241,886.71</u>	<u>11,271,651.02</u>
EXPENDITURES AND TRANSFER			
Educational and general:			
Expenditures:			
Instruction	3,913,272.52	568,160.68	4,481,433.20
Public service	28,984.38	1,619,024.65	1,648,009.03
Academic support	383,571.66	9,081.83	392,653.49
Student services	788,193.79	640,488.37	1,428,682.16
Institutional support	970,455.34	111,408.83	1,081,864.17
Operation and maintenance of plant	670,204.35	-	670,204.35
Scholarships and fellowships	<u>70,206.86</u>	<u>1,293,722.35</u>	<u>1,363,929.21</u>
Total educational and general expenditures	6,824,888.90	4,241,886.71	11,066,775.61
Nonmandatory transfer for:			
Unexpended plant	<u>125,000.00</u>	<u>-</u>	<u>125,000.00</u>
Total expenditures and transfer	<u>6,949,888.90</u>	<u>4,241,886.71</u>	<u>11,191,775.61</u>
OTHER ADDITION (DEDUCTIONS)			
Excess of restricted receipts over transfers to revenues	-	112,901.11	112,901.11
Indirect costs recovered	-	(104,669.17)	(104,669.17)
Expired grants	<u>-</u>	<u>(16,388.80)</u>	<u>(16,388.80)</u>
Net increase (decrease) in fund balances	\$ <u><u>79,875.41</u></u>	\$ <u><u>(8,156.86)</u></u>	\$ <u><u>71,718.55</u></u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
 DYERSBURG STATE COMMUNITY COLLEGE
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
 FOR THE YEAR ENDED JUNE 30, 1995

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 1,768,388.59	\$ 7,152.24	\$ 1,775,540.83
State appropriations	4,720,900.00	86,162.40	4,807,062.40
Federal grants and contracts	109,858.59	4,095,903.09	4,205,761.68
State grants and contracts	10,380.84	101,949.84	112,330.68
Private gifts, grants, and contracts	-	288,532.39	288,532.39
Investment income	61,945.12	-	61,945.12
Sales and services of educational activities	92,539.36	-	92,539.36
Sales and services of auxiliary enterprises	20,111.49	-	20,111.49
Other sources	27,668.03	-	27,668.03
Total current revenues	<u>6,811,792.02</u>	<u>4,579,699.96</u>	<u>11,391,491.98</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	3,843,911.65	521,995.17	4,365,906.82
Public service	20,760.76	2,241,001.37	2,261,762.13
Academic support	379,450.28	3,279.49	382,729.77
Student services	789,047.57	511,665.43	1,300,713.00
Institutional support	941,514.72	48,912.71	990,427.43
Operation and maintenance of plant	641,110.94	-	641,110.94
Scholarships and fellowships	75,356.85	1,252,845.79	1,328,202.64
Total educational and general expenditures	6,691,152.77	4,579,699.96	11,270,852.73
Mandatory transfer for:			
Principal and interest	35,000.00	-	35,000.00
Nonmandatory transfers for:			
Unexpended plant	25,000.00	-	25,000.00
Renewals and replacements	39,000.00	-	39,000.00
Total expenditures and transfers	<u>6,790,152.77</u>	<u>4,579,699.96</u>	<u>11,369,852.73</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenues			
	-	200,818.84	200,818.84
Indirect costs recovered	-	(103,499.76)	(103,499.76)
Other deductions	-	(3,857.34)	(3,857.34)
Net increases in fund balances	<u>\$ 21,639.25</u>	<u>\$ 93,461.74</u>	<u>\$ 115,100.99</u>

The notes to the financial statements are an integral part of this statement.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements
June 30, 1996, and June 30, 1995**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The college is part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

BASIS OF PRESENTATION

The financial statements of the college have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The college uses the AICPA College Guide model for accounting and financial reporting.

BASIS OF ACCOUNTING

The financial statements of the college have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as (1) expenditures, for normal replacement of movable equipment and library holdings, (2) mandatory transfers, for required debt amortization and interest, and (3) nonmandatory transfers, for all other cases.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

FUND ACCOUNTING

To ensure observance of limitations and restrictions placed on the use of the resources available, the college maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and consist of the bookstore. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

Loan Funds

Loan funds consist of resources made available for student loans.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be used.

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes, (2) funds set aside for the renewal and replacement of institutional properties, (3) funds set aside for debt service charges and for the retirement of the indebtedness on institutional properties, and (4) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the college acts solely as an agent; consequently, transactions of these funds do not affect the college's operating statements.

LGIP DEPOSIT–CAPITAL PROJECTS

Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenditures are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the college for any other purpose until the project is completed and any remaining funds are released by the Tennessee Board of Regents.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

CHECKS PAYABLE

This amount represents the sum of checks written in excess of the college's checking account balance because of the college's use of a controlled disbursement account. Through the use of a controlled disbursement account, the college maximizes interest income by transferring from an investment account only funds necessary to cover the checks that clear the bank daily.

ALLOCATION FOR WORKING CAPITAL

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

PLANT ASSETS

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Library books are valued at \$20 per volume, and other library holdings are valued at various standardized values. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

Under a contract with the Tennessee Department of Labor, the college is the administrative entity and grant recipient for the Job Training Partnership Act in service delivery area 13 of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the act resides with the U. S. Department of Labor. Therefore, this equipment is not included in the college's plant fund assets.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

DYERSBURG STATE COMMUNITY COLLEGE FOUNDATION

The college is the sole beneficiary of the Dyersburg State Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are handled by the college, and the assets and liabilities of the foundation are included in the agency funds on the college's balance sheet.

NOTE 2. COMPENSATED ABSENCES

The college's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. Generally accepted accounting principles require that certain accrued compensated absences and related benefits, the effects of which are material to the financial statements, be recorded as earned. The college's policy is to record such benefits as paid. The recognition of this liability for accrued compensated absences and related benefits would have increased the liabilities of the unrestricted current fund by \$399,076.00 at June 30, 1996, and \$415,096.00 at June 30, 1995, decreased the unrestricted current fund expenditures by \$16,020.00 for the year ended June 30, 1996, and increased the unrestricted current fund expenditures by \$47,384.04 for the year ended June 30, 1995.

NOTE 3. CASH AND CASH EQUIVALENTS

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 1996, cash and cash equivalents consisted of \$22,555.99 in bank accounts, \$1,803.10 of petty cash on hand, \$48,010.00 in money market funds, and \$1,760,700.69 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1995, cash and cash equivalents consisted of \$3,518.57 in bank accounts, \$1,546.08 of petty cash on hand, \$59,224.80 in money market funds, and \$1,213,985.16 in the State of Tennessee Local Government Investment Pool.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

NOTE 4. DEPOSITS

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the college. Category 1 consists of deposits that are insured or collateralized with securities held by the college or by its agent in the college's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the college's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the college's name.

Some of the college's bank accounts are in financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 1996, the carrying amount of the college's deposits was \$190,749.42, and the bank balance including accrued interest was \$753,118.27. Of the bank balance, \$684,712.32 was category 1, and \$68,405.95 was category 3.

At June 30, 1995, the carrying amount of the college's deposits was \$62,743.37, and the bank balance including accrued interest was \$571,945.63. Of the bank balance, \$509,409.57 was category 1, and \$62,536.06 was category 3. From July 1, 1994, through January 25, 1995, the college had uncollateralized amounts as high as \$360,636.69. The uncollateralized amounts were related to a court decision by the U. S. Court of Appeals for the Eighth Circuit which raised a question about the enforceability of security interests in collateral pledged to secure deposits held in financial institutions. The court decision was based on Section 1823(e) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). Because the college's security agreement did not meet the requirements outlined in Section 1823(e) of the act, it is uncertain whether the college had any priority claim to the collateral pledged to secure deposits in excess of FDIC insurance coverage. The college's security agreement was revised as of January 25, 1995, to meet these new requirements.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 105% of the uninsured deposits.

NOTE 5. INVESTMENTS

The college is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the college and that endowment investments be prudently diversified. The Dyersburg State Community College Foundation is authorized to invest funds in accordance with its board of directors' policies. Investments are valued at cost, or in the case of gifts, at fair value on the date of receipt. Certificates of deposit have been included with other deposits in Note 4 to determine the adequacy of collateral security pledged.

The college's/foundation's investments are categorized below to indicate the level of risk assumed by the college/foundation at year-end. Category 1 consists of insured or registered investments or investments for which the securities are held by the college/foundation or its agent in the college's/foundation's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent in the college's/foundation's name. Category 3 consists of uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the college's/foundation's name.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

June 30, 1996

	<u>Carrying Amount</u>	<u>Market Value</u>
Category 2:		
U. S. government securities	\$329,641.44	\$329,336.45
Corporate stocks	61,385.50	78,880.25
Investments not susceptible to credit risk categorization:		
Mutual funds	403,620.43	451,329.10
Certificates of deposit classified as investments	<u>120,183.43</u>	<u>120,183.43</u>
Total investments on the balance sheet	<u><u>\$914,830.80</u></u>	<u><u>\$979,729.23</u></u>

June 30, 1995

	<u>Carrying Amount</u>	<u>Market Value</u>
Category 2:		
U. S. government securities	\$254,641.44	\$ 259,630.05
Corporate stocks	114,145.50	130,047.50
Investments not susceptible to credit risk categorization:		
Mutual funds	<u>262,564.25</u>	<u>280,077.55</u>
Total investments on the balance sheet	<u><u>\$631,351.19</u></u>	<u><u>\$669,755.10</u></u>

NOTE 6. PLANT FUND ENCUMBRANCES

There were no plant fund encumbrances outstanding at June 30, 1996. Plant fund encumbrances outstanding at June 30, 1995, amounted to \$3,026.64 for renewals and replacements.

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

NOTE 7. PENSION PLANS

Defined Benefit Plan

All the college's regular employees may participate in a cost-sharing multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The payroll for employees covered by the TCRS plan was \$2,712,558.93 for the year ended June 30, 1996, and \$2,867,212.64 for the year ended June 30, 1995. The college's total payroll was \$5,828,375.65 for the year ended June 30, 1996, and \$5,873,554.47 for the year ended June 30, 1995.

TCRS members may retire at age 60 with five years of service or at any age with 30 years of service. Early retirement with reduced benefits is available to vested members who are at least age 55 or have 25 years of service. Benefits are based on the number of years of creditable service and highest average salary for five consecutive years. Members are vested after five years of service. The TCRS also provides death and disability benefits. Disability benefits are available to members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member performed duties. Benefits are established by state statute.

The college is required by state statute, effective July 1, 1981, to contribute the amounts necessary to pay benefits when due. Prior to that date, the employee bore a portion of the contribution. Members with contributory service who leave the college are eligible for a refund of their contributions, along with contributions made after July 1, 1981, on the employees' behalf by the college. The actuarially required contribution made for the year ended June 30, 1996, was \$171,704.98, and for the year ended June 30, 1995, was \$181,494.56, which both represented 6.33% of the covered payroll.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the TCRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems

**Tennessee Board of Regents
Dyersburg State Community College
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995**

and among employers. The TCRS does not make separate measurements of assets and pension benefit obligation for individual state employers. Therefore, the following information is provided for the entire state employee portion of the TCRS. The pension benefit obligation at June 30, 1996, and at June 30, 1995, determined through an actuarial update performed as of June 30, 1996, was \$11,610.6 million and through an actuarial valuation performed as of June 30, 1995, was \$10,697.4 million. The net assets, at cost or amortized cost, available for benefits were \$12,925.0 million at June 30, 1996, and \$11,566.8 million at June 30, 1995, leaving assets in excess of pension benefit obligation of \$1,314.4 million at June 30, 1996, and \$869.4 million at June 30, 1995. The market value of the net assets available for benefits was \$14,100.9 million at June 30, 1996, and \$12,552.1 million at June 30, 1995. The college's 1996 and 1995 contributions represented .06% of total contributions required of all participating entities.

Ten-year historical trend information showing the TCRS' progress in accumulating sufficient assets to pay benefits when due is presented in the June 30, 1996, *Tennessee Consolidated Retirement System Comprehensive Annual Financial Report*.

Defined Contribution Plans

The college has three defined contribution plans offered through the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are available only to eligible faculty and staff exempt from the overtime provision of the Fair Labor Standards Act. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. State statute requires the college to contribute an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Members are fully vested upon entry into the plans.

The payroll for employees covered by the defined contribution plans was \$2,347,118.20 for the year ended June 30, 1996, and \$2,079,721.80 for the year ended June 30, 1995. The college's total payroll was \$5,828,375.65 for the year ended June 30, 1996, and \$5,873,554.47 for the year ended June 30, 1995. The required contribution made by the college for the year ended June 30, 1996, was \$234,711.82, and for the year ended June 30, 1995, was \$207,972.18, which both represented 10% of the covered payroll.

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Deferred Compensation

Effective January 1996, the college, through the State of Tennessee, offers its employees a deferred compensation plan established pursuant to *Internal Revenue Code*, Section 401(k). Excluding the \$20 college match discussed below, all costs of administering the plan are the responsibility of plan participants.

Since Section 401(k) plan assets remain the property of contributing employees, they are not presented in the State of Tennessee's financial statements. *Internal Revenue Code*, Section 401(k), establishes participation, contribution, and withdrawal provisions for the plan. Effective for the six-month period January through June 1996, the college provided a \$20 monthly Section 401(k) match from unrestricted current funds for employees making a minimum monthly contribution of \$20 to the plan. During the year ended June 30, 1996, contributions totaling \$28,454.00 were made by employees participating in the plan with a related match of \$13,840.00 made by the college. The current covered payroll for participating employees was \$1,700,996.05, while the total payroll for all eligible college employees during the year was \$2,372,019.77.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This benefit is provided and administered by the State of Tennessee. The college assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 9. INSURANCE-RELATED ACTIVITIES

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. In the past three fiscal years, the state has not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$5 million has been established in the state's general fund to provide for any property losses not covered by the commercial insurance.

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At June 30, 1996, the scheduled coverage for the college was \$15,422,200 for buildings and \$4,133,900 for contents. At June 30, 1995, the scheduled coverage was \$12,328,100 for buildings and \$4,083,900 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The college participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the college participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The college participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$1,839,238.61 at June 30, 1996, and \$1,759,607.95 at June 30, 1995.

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Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$66,962.24 and for personal property were \$48,088.46 for the year ended June 30, 1996. The amounts for the year ended June 30, 1995, were \$93,732.68 and \$63,455.54. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 1996, outstanding commitments under construction contracts totaled \$25,266.35 for the Learning Resource Center addition, \$1,116.50 for the Student Center expansion, \$41,881.25 for the Tipton County Center project, and \$6,755.85 for the fire flow system, which will be funded by future state capital outlay appropriations.

NOTE 11. PLEDGES

At June 30, 1996, unrecorded pledges totaled \$9,347.98 and were restricted to scholarship uses. These pledges are due to be collected over the next fiscal year. It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.